

May 9, 2012

**ITEM NO. B3**

**AUTHORIZATION TO 1) SUBMIT A MIXED-FINANCE PROPOSAL, EVIDENTIARY DOCUMENTS, AND SUPPLEMENTAL DISPOSITION APPLICATION TO THE UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD); 2) COMMIT UP TO \$13,500,000 OF STATEWAY HOPE VI AND CHA GENERAL FUNDS FOR THE PARK BOULEVARD IIB RENTAL ON AND OFF-SITE REDEVELOPMENT; 3) EXECUTE A GROUND LEASE WITH PARK BOULEVARD IIB LLC AND /OR A RELATED ENTITY FOR THE STATEWAY GARDENS LAND COMPRISING THE PHASE IIB SITE AND THE CITY ACQUIRED OFF-SITE PARCEL; AND 4) EXECUTE AND DELIVER SUCH OTHER DOCUMENTS AND PERFORM SUCH ACTIONS AS MAY BE NECESSARY OR APPROPRIATE TO IMPLEMENT THE FOREGOING**

To the Honorable Board of Commissioners:

**RECOMMENDATION**

It is recommended that the Board of Commissioners authorize the Chief Executive Officer or his designee to: 1) Submit a Mixed-Finance Proposal, Evidentiary Documents, and Supplemental Disposition application to the United States Department of Housing and Urban Development (HUD); 2) Commit up to \$13,500,000 of Stateway HOPE VI and CHA general funds for the Park Boulevard IIB rental on and off-site; 3) Execute a Ground Lease with Park Boulevard IIB LLC and /or a related entity for the Stateway Gardens land comprising the Phase IIB site and the City acquired off-site parcel; and 4) Execute and deliver such other documents and perform such actions as may be necessary or appropriate to implement the foregoing.

**FUNDING**

Not to Exceed \$13,500,000 of Stateway HOPE VI and CHA General Funds

**M/W/DBE & Section 3 Participation:** Compliance Affidavit on file

**EXPLANATION**

**Background:**

The former Stateway Gardens was one of CHA's largest developments and contained 1,644 units in eight gallery high rise buildings along the South State Street corridor. Many years of neglect, high crime, extreme poverty, and isolation caused CHA/HUD to demolish all 1,644 units to make way for a new on-site mixed-income community now known as Park Boulevard. It encompasses approximately 34 acres of land generally bounded by 35th Street (north), State Street (east), 39th Street (south) and Chicago Rock Island and Pacific Railroad (west), all within Chicago's Douglas Community.

The Master Redevelopment Plan for Stateway Gardens ("Master Plan") is being implemented in 3 distinct phases that includes both on and off-site development. This new mixed-income

community brings together public housing families, affordable and market rate renters, affordable and market rate homeowners, along with retail businesses and open space parks. This Master Plan won the 2002 Charter Award from the Congress for New Urbanism and the first phase won the 2007-2008 Community Vision Award (CVA) from a joint panel of ULI Chicago, Home Builders Association of Greater Chicago.

In 2005, The Pershing, the first off-site phase (1A) provided a total of 80 rental units; 27 CHA and 53 affordable units. Park Boulevard Phase IB, the first on-site phase delivered a total of 159 diverse housing opportunities; 54 CHA and 105 affordable and market rate for-sale units. It was designed by 7 different architects to create a traditional Chicago neighborhood and provide diverse housing opportunities for the different life styles.

In November 2008, the Chicago Housing Authority (CHA) competed for, won and was awarded a \$20,000,000 HOPE VI Grant to leverage and develop Park Boulevard's Phase 2.

Phase 2 is currently being implemented in 4 sub-phases. In June 2011, the first sub-phase transaction known as 2A closed. Construction is well underway, on schedule and will be completed this year. Phase 2A will provide 128 rental opportunities in a mix of 46 CHA, 53 affordable and 29 market rate rental units.

#### **Park Boulevard IIB:**

Phase IIB will provide 108 rental housing opportunities situated both onsite and offsite and will continue the critical revitalization of both sides of State Street.

Integral components of this redevelopment phase include the on-site portion situated around the existing Stateway Park and will enhance the planning efforts surrounding future public and private development. The off-site portion will replace blighted structures, add new retail commerce and add significant pedestrian traffic to the east and west sides of State Street, making the site more appealing to future retailers.

The 108 rental units will consist of 37 CHA units (2-four bedroom, 9-three bedroom, 12-two bedroom and 14-one bedroom units), 34 affordable and 37 market units. They will be housed in four different structures; 2 Twelve unit 3-story buildings, 1 Seventy-two unit 6-story building and 1 Twelve unit 3-story building with ground floor rental located on the east side of State St. The offsite parcel located at the southeast corner of 36<sup>th</sup> St and State Street was acquired by the City, on behalf of CHA, per a CHA/City Intergovernmental Agreement and will be conveyed to CHA as part of the transaction. The three structures developed onsite will wrap and form the northwest edge looking onto Stateway Park.

All buildings are designed to achieve a Chicago Green Homes Rating of three stars. The project will include sustainable design strategies in all of the following categories; Sustainable Site, Energy Efficiency, Materials, Health and Safety, Resource Conservation and Homeowner Education.

The Park Boulevard mixed-income community is well on its way to becoming the new Gateway to the Southside of Chicago; a vibrant, classic Chicago neighborhood surrounded by Chicago institutions and amenities including the Illinois Institute of Technology (IIT), the Chicago White Sox Cellular Field, Chicago Police Headquarters, and Dawson Technical Institute, all within a block of three rail transit stations: the new 35<sup>th</sup> Street Metra Stop the CTA

35<sup>th</sup> Street Green and Red line stops, less than a 10 minute ride to the Loop. Park Boulevard Phase IB currently includes 11,000 square feet of retail which includes Starbucks, FedEx/Kinkos, National City Bank, and other local retailers.

**Development Entities:** The procured Master Developer is Stateway Associates LLC, a joint venture among affiliates of Mesa Development LLC, The Davis Group, Walsh Construction Company of Illinois, and JLM Investment LLC. Collectively the team has over 100 years of development and construction experience. The Park Boulevard IIB phase will be owned by Park Boulevard IIB, LLC. Walsh Construction Company will also be the General Contractor for this phase and the construction budget will meet HUD's Identity of Interest requirements.

**Financing:** The total development budget of the residential portion of this Park Boulevard Phase IIB will be approximately \$41,247,100 and is expected to be funded by the approximate following sources of permanent financing:

- (1) **\$11,450,000 CHA Loan:** This loan is projected to be funded by a combination of CHA Capital Funds (IL06R002250111) in the amount of \$8,796,341 and HOPE VI Funds (IL06URD0021108) in the amount of \$2,653,659. The loan term will be for approximately 42 years, inclusive of the construction period, with an interest rate of up to 3% and repayment will be deferred until maturity.
- (2) **\$21,736,000 LIHTC Equity:** The Low Income Housing Tax Credit (LIHTC) equity investor is projected to provide tax credit equity in the approximate amount of \$21,736,000. Equity will be generated by the syndication of LIHTCs allocated by the City of Chicago's Housing and Economic Development (HED).
- (3) **\$5,000,000 City of Chicago TIF Loan:** City of Chicago's HED is projected to loan approximately \$5,000,000 to the project with a term of 42 years, inclusive of the construction period, with an interest rate of up to 3% and repayment will be deferred until maturity.
- (4) **\$1,950,000 First Mortgage:** U.S. Bank is projected to provide a forward commitment for the permanent first mortgage loan in the approximate amount of \$1,950,000 with a fixed interest rate to be locked at the time of closing. The loan is projected with a 15-year term and 30-year amortization period.
- (5) **\$696,000 Illinois Affordable Housing Tax Credit (Donation Tax Credit) Equity Loan:** The City of Chicago's HED has allocated donation tax credits which will be purchased by an investor. The proceeds will be loaned to the project by CHA. The loan term will be approximately 42 years, inclusive of the construction period, with an interest rate of up to 3% and repayment will be deferred until maturity.
- (6) **\$405,000 Deferred Developer Fee**
- (7) **\$10,100 Member Capital Contribution**

During the construction period, a private lender will provide a construction loan that will be repaid from equity.

Additional project sources include \$2,050,000 of Capital Funds (IL06R002250111) for Gautreaux Development Manager fees, costs, and administration, Initial Operating Deficit Reserve, and CHA Administration costs. HOPE VI funds (IL06URD0021108) in the amount of \$250,000 will be used for Community Supportive Services. HOPE VI Demolition funds (IL06URD002D110) in the amount of \$1,263,659 were previously used for on-site demolition. Approximately \$562,514 of Capital Funds (IL06R002250111) will be used to pay site remediation work which will be authorized by a separate Board action. A waiver request for extraordinary costs has been submitted to HUD.

Based on the foregoing, it is in the best interest of the Chicago Housing Authority to: 1) Submit a Mixed-Finance Proposal, Evidentiary Documents, and Supplemental Disposition application to the United States Department of Housing and Urban Development (HUD); 2) Commit up to \$13,500,000 of Stateway HOPE VI and CHA general funds for the Park Boulevard IIB rental on and off-site redevelopment; 3) Execute a Ground Lease with Park Boulevard IIB LLC and /or a related entity for the Stateway Gardens land comprising the Phase IIB site and the City acquired off-site parcel; and 4) Execute and deliver such other documents and perform such actions as may be necessary or appropriate to implement the foregoing.



**RESOLUTION NO. 2012-CHA-34**

**WHEREAS,** the Board of Commissioners has reviewed the Board Letter dated, May 9, 2012 requesting authorization to: 1) Submit a Mixed-Finance Proposal, Evidentiary Documents, and Supplemental Disposition application to the United States Department of Housing and Urban Development (HUD); 2) Commit up to \$13,500,000 of Stateway HOPE VI and CHA general funds for the Park Boulevard IIB rental on and off-site redevelopment; 3) Execute a Ground Lease with Park Boulevard IIB LLC and /or a related entity for the Stateway Gardens land comprising the Phase IIB site and the City acquired off-site parcel; and 4) Execute and deliver such other documents and perform such actions as may be necessary or appropriate to implement the foregoing.

**THEREFORE, BE IT RESOLVED BY THE CHICAGO HOUSING AUTHORITY**

**THAT,** the Chief Executive Officer or his designee is authorized to: 1) Submit a Mixed-Finance Proposal, Evidentiary Documents, and Supplemental Disposition application to the United States Department of Housing and Urban Development (HUD); 2) Commit up to \$13,500,000 of Stateway HOPE VI and CHA general funds for the Park Boulevard IIB rental on and off-site redevelopment; 3) Execute a Ground Lease with Park Boulevard IIB LLC and /or a related entity for the Stateway Gardens land comprising the Phase IIB site and the City acquired off-site parcel; and 4) Execute and deliver such other documents and perform such actions as may be necessary or appropriate to implement the foregoing.

